Approved For Release 2009/09/02 : CIA-RDP85M00363R000100160002-6

17 June 1983

MEMORANDUM FOR THE RECORD

FROM : 25X1

Chief, 25X1

SUBJECT : NSC Briefing on International Debt 25X1

1. On 16 June I participated in an NSC briefing of key US officials on the international debt situation. Attending the principals-only briefing were:

The President
The Vice President
The Assistant to the President for National Security
The Secretary of State
The Secretary of Defense
The Chairman, Council of Economic Advisers
The Chairman, Joint Chiefs of Staff
The Director, Office of Management and Budget
The Secretary of Commerce
The Secretary of the Treasury
The Deputy Secretary of the Treasury

The 45-minute session scheduled 30 minutes for the formal briefing and 15 minutes for discussion among the principals. Duties for the briefing segment were split three ways between Norman Bailey (NSC), Roger Robinson (NSC) and me. Our goal was to give the President an overview of the size and gravity of international debt problems, how they emerged over the past decade, what is currently being done by all concerned parties to resolve them, and what pitfalls lie ahead that could prevent smooth correction. The briefing was held in NSC's new, still-unfinished "high-tech" crisis management center, which allowed liberal and effective use of projected graphics that were prepared by CIA's Graphics Design Center. 25X1

2. Several significant developments occurred during the principals' discussion session. Treasury Secretary Regan assured the President that his and other Agencies were watching international financial issues closely and were on top of any new developments. He admitted, though, that (a) debt problems were far from over and (b) the current US strategy was tautly stretched and any number of events could impede its effectiveness. The persistence of debt problems was evidenced by the Treasury Secretary's statement that just last Monday he was called by leaders of Mexico, Brazil, Jamaica, and Peru requesting a total of $1.2 billion in emergency loans from the US government. The requests were refused. Incidently, this Treasury information had not, to my knowledge or that of my NSC colleagues, been shared with other intelligence agencies. Secretary Regan described the need to keep US interest rates low to help relieve debtors' repayment burden. The President asked if bankers could be brought on board to lower their loan rates. Secretary Regan explained that many factors influence interest rates, including the perception of the size and growth of US budget deficits. 25X1

CONFIDENTIAL

NSC review completed.

25X1

Approved For Release 2009/09/02 : CIA-RDP85M00363R000100160002-6

Approved For Release 2009/09/02 : CIA-RDP85M00363R000100160002-6

SUBJECT: NSC Briefing on International Debt [redacted] 25X1

3. While admitting the existence of continuing financial problems and the danger that the present US strategy could be derailed, the Treasury Secretary cautioned against too-active development of US contingency programs. He was concerned that inevitable leaks could on one hand intensify uncertainty in financial markets and on the other hand provide debtors with the perception that the United States was preparing alternatives that could allow them to relax their own adjustment programs. Several other cabinet members disagreed with that stance. Martin Feldstein noted that any number of "what if" scenarios could occur and that the United States must at least have thought through strategies to deal with them. Caspar Weinberger was concerned that the economic stress on debtors could create political instability that would leave countries vulnerable to "mischief." George Shultz felt scenarios and contingencies should be discussed, even if not written down, but in small forums of relevant agencies. He felt the SIG-IEP format used so far was unwieldy and unproductive. The President agreed with the position held by Feldstein, Weinberger, and Shultz that additional planning work was necessary. [redacted] 25X1

4. The briefers' assessment of the entire session was that it accomplished its goals. The President (a) was given basic information on the gravity of LDC financial problems and their importance to the United States, (b) was left with the message that these difficulties are likely to continue and even intensify over the next several years, and (c) agreed that the United States should be positioned better to deal with realistic contingencies. [redacted] 25X1

25X1 [redacted]

CONFIDENTIAL

Approved For Release 2009/09/02 : CIA-RDP85M00363R000100160002-6

Approved For Release 2009/09/02 : CIA-RDP85M00363R000100160002-6

SUBJECT: NSC Briefing on International Debt

OGI/ECD/[redacted] 25X1
Distribution:
1 - DCI
1 - DDCI
1 - ExDir
1 - SA/DCI
1 - DDI
1 - ADDI
1 - Ch/PES/DDI
1 - NIO/Economics
1 - D/OGI
1 - OGI/Pub
1 - OGI/ECD
1 - OGI/ECD [redacted] 25X1

CONFIDENTIAL

Approved For Release 2009/09/02 : CIA-RDP85M00363R000100160002-6